B5350-2

FINANCIAL DIGEST

FRIDAY, NOVEMBER 9, 1979 VOLUME XVI, NUMBER 45

A DIFFERENT DRUMMER

The U.S. economy is demonstrating once again that it does not move up and down as a solid unit. While the national statistics on employment, sales, and inventories suggest that a resumption of the second quarter's decline in the real gross national product may be underway, individual industries within this total are marching to the beat of a different drummer. This is not unusual—but it does add another dimension to the Administration's fight against inflation, which is based on slowing the economy to the point where price increases are less and less feasible. Plainly, by the time some of the stronger industries have slowed enough to dampen price inflation in their sectors, the weaker industries (along with the areas in which they are located) will be hit hard.

The labor force statistics are a case in point. While unemployment among factory workers rose 1.1 percentage points over the past year, joblessness among construction workers declined by the same amount. Unemployment went up slightly among government workers (0.2 points) and employees in finance and services (0.3 points), but it fell 0.1 points among service workers and 0.2 points among employees in wholesale and retail trade.

The employment statistics underline this lack of uniformity among major industries. Every one of the Labor Department's 14 major industrial categories posted increases in employment over the past year. However, these gains were far from uniform. While total nonagricultural employment rose three per cent, employment in mining and construction rose 6¾ per cent, while the number of jobs in services, finance, insurance and real estate rose by about five per cent. By contrast, government employment went up by only 1½ per cent. In the important manufacturing sector, total employment went up by 1.6 per cent, reflecting a surprising jump of 2.1 per cent in durable goods employment along with an equally surprising increase of only 0.7 per cent in nondurable goods workers.

Possibly a reflection of these surprising trends in employment, inventories have become top heavy in durable goods industries, while they are under better control among softgoods manufacturers. The inventory-sales ratio in durables amounted to 1.97 at the beginning of last month, up from 1.84 a year earlier. By contrast, softgoods manufacturers reported an I-S ratio of 1.09 in the latest month, down from 1.15 in the year-ago month. As might be expected, the rise in durable manufacturers' stocks appears to be concentrated in the transportation equipment industry, where the I-S ratio shot up from 1.46 last year to 1.85 today. Inventories of stone, clay and glass, fabricated metals, machinery and instruments are also up relative to sales. In the softgoods sector, the greatest degrees of inventory workdown appear to have taken place in the textiles and chemicals area, and to a lesser extent, in the paper and plastics industries.

As a group, wholesalers have been successful in keeping their inventories in line with sales. The I-S ratio for wholesale trade has dropped over the past year from 1.20 to 1.18. Retailers are having somewhat greater difficulty, although some recent progress has been made. I-S ratios in retail trade are up from last year's 1.44 to 1.46—but this is down from 1.50 a month earlier.

FIGHTING INFLATION IS GOOD POLITICS

Lack of uniformity in industry performance notwithstanding, the Administration will have no choice but to continue to give the fight against inflation top priority. Curbing inflation not only makes good economic sense—it makes good political sense with the intensification of the 1980 presidential election campaigns now underway. Population projections by the Labor Department show that next year the number of people 55 years and over will equal nearly three-fifths of the number of people likely to vote in the 1980 elections. Plainly, the 55-and-over category, being at or close to retirement, is more concerned about inflation than anything else. This is simply too large a block of potential voters to be ignored.

SELECTED FEDERAL RESERVE DATA

(Weekly Averages of Daily Figures—Millions of Dollars)

	Week Ending 11/9/79	Change Since Week Ago	Change Since Year Ago
Reserve Bank Credit:			
U.S. Gov'ts and Agencies Owned Outright & RPs	123,165	— 776	+ 2,534
Member Bank Borrowings	1,928	—1,128	+ 1,232
Float	4,491	+ 362	+ 188
Total Reserve Bank Credit	134,508	—1,422	+ 5,497
Treasury Deposits with Federal Reserve Banks	3,146	+ 73	— 7,945
Currency Outside Banks	109,091	+ 454	+ 9,334
Member Bank Reserves:			
Required	42,138	—1,181	+ 4,552
Excess (Deficiency)	551	+ 249	+ 210
Total Reserves Held	42,689	— 932	+ 4,762
Net Borrowed Reserves	1,226	—1,341	+ 1,062
Gov'ts held for Foreign Acct. by F.R. Banks (End of-Week)	80,037	—1,892	—12,719
		r-Revised	
	10/31/79		
Money Supply ($ Bil., SA) M1	376.5	— 0.4	+4.7%
Money Supply ($ Bil., SA) M2	938.2	+ 1.1	+7.8%

NEW YORK MONEY MARKET

Offering Rates 11/9/79	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	12.05%	12.05%	11.30%
*Federal Agencies	13.48	13.34	13.07
*Project Notes—Tax Free (46% Taxable Equivalent)	n.a.	n.a.	n.a.
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
*Secondary Market—Prime	14.30	14.35	

‡Finance Company Paper—Prime		‡*Bankers' Acceptances	
5- 14 days	11.00%	Dec.	14.00%
15- 29 days	13.50	Jan.	14.00
30- 59 days	13.88	Feb.	14.10
60-179 days	12.50	Mar.	14.10
180-270 days	12.25	Apr.	13.80
		May	13.80
‡Industrial Paper—Prime			
30- 89 days	13.88	‡Federal Funds	
90-120 days	14.13	Effective Rate	13.45%

‡Discount Basis *Subject to Availability †Estimated

SELECTED BUSINESS INDICATORS

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	3rd Q'79	$ 2,392	$ 2,330	$ 2,160
Gross National Product (1972 Dollars)*	3rd Q'79	$ 1,431	$ 1,422	$ 1,407
Percent Change, Annual Rate	3rd Q'79	2.4%	—2.3%	3.5%
Change in Consumer Prices (all urban consumers)*	Sept. '79	13.2%	13.2%	10.8%
Change in Producer Prices*	Oct. '79	12.0%	16.8%	9.6%
Civilian Employment (Thousands of Persons)†	Oct. '79n	97,293	97,513	95,241
Unemployment as % of Civilian Labor Force†	Oct. '79n	6.0%	5.8%	5.8%
Personal Income*	Sept. '79	$ 1,955	$ 1,943	$ 1,756
Leading Indicators Composite Index (1967=100)†	Sept. '79	141.3	140.2	142.9
Industrial Production Index (1967=100)†	Sept. '79	152.3	151.5	148.6
Net Change in Consumer Instalment Credit†	Sept. '79n	$ 4.45	$ 2.45	$ 3.68
U.S. Merchandise Trade Balance†	Sept. '79	—$ 2.83	—$ 2.36	—$ 1.55
Plant and Equipment Expenditures*	4th Q'79	$179.56(a)	$174.74(a)	$163.96
Private Housing Starts (Thousands of Units)*	Sept. '79	1,881	1,806	1,948
New Construction Expenditures*	Sept. '79	$ 235.8	$ 232.4	$ 215.3
Total Business Inventories†	Aug. '79	$ 417.2	$ 413.8	$ 366.6
Total Business Sales†	Aug. '79	$ 292.7	$ 288.6	$ 259.2

*Seasonally adjusted annual rate. †Seasonally adjusted. n Newly reported figure. a-Anticipated.

SHORT TERM PAPER OUTSTANDING

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CDs Weekly Reporting Banks			
Nationwide (10/31/79)	90,664	+ 562	— 879
New York City (11/7/79)	18,841	+ 31	— 8,555
Commercial Paper (10/31/79)	107,673	+ 23	+29,116

BANK LOANS

(Millions of Dollars)

Weekly Reporting Large Commercial Banks	Commercial and Industrial Loans Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (10/31/79)	152,661	+ 931	+22,287
New York City (11/7/79)	45,421	+ 38	+ 6,990
	Total Loans Gross Adjusted		
	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (10/31/79)	387,331	+2,443	+52,562
New York City (11/7/79)	87,841	— 61	+ 9,031

SECURITY MARKETS

	Friday 11/9/79	Change Since Week Ago	Change Since Year Ago
U. S. Governments, Closing Bid Prices:			
90-Day Bills (Discount Basis)	11.87%	— .17	+ 3.37
180-Day Bills (Discount Basis)	11.85	— .30	+ 2.55
Longest Bills (Discount Basis)	11.18	— .47	+ 1.92
12⅝s 10/30/81	101.21	+ 29/32	
11⅝s 5/15/83 (W.I.)	101.26	N.A.	
10¾s 11/15/89	100.19	+ 1-5/32	
10⅛s 11/15/94	97.2	+ 1-9/32	
10⅜s 11/15/09	101.15	+ 1-31/32	
Municipals:			
Bond Buyer—20 Bond Index* (11/8/79)	7.27%	+ .01	+ 1.09
Blue List Total ($ Million)	$ 681	+$ 172	—$ 20
30-Day Visible Supply ($ Million)	$1,711	—$ 49	+$ 16
Total	$2,392	+$ 123	—$ 4
Corporates:			
Moody's Aa Composite (11/8/79)	11.35%	+ .29	+ 2.06
Money Mgr.—30-Day Supply ($ Million)	$1,609	—$ 150	—$ 141
Stocks:			
Dow-Jones Averages			
Industrials	806.48	— 12.46	— 0.61
Transportation	232.86	+ 0.05	+ 19.24
Utilities	99.19	— 1.35	+ 0.95
65 Stocks	281.93	— 3.04	+ 6.93
Standard and Poor's 500 Stocks	101.57	— 1.03	+ 6.80
N.Y.S.E. Composite Index	57.74	— 0.43	+ 5.02
N.Y.S.E. Avg. Daily Vol. for Week (000's)	23,942	— 1,888	+ 2,054

*46% Taxable Equivalent 13.46%

INTERNATIONAL RATES

	Friday 11/9/79	Week Ago
EURODOLLAR DEPOSIT RATES (bid)		
Overnight	13.38%	14.38%
1 month	14.75	15.00
3 months	15.56	15.63
6 months	15.13	15.31
1 year	14.00	14.19
EURODOLLAR BONDS Average Yield		
Medium Term (5 to 7 yrs.)	n.a.	11.90%
Long Term (10 to 15 yrs.)	n.a.	11.75
FOREIGN EXCHANGE SPOT RATES New York Opening (in dollars)		
Belgium	.03442	.03436
Canada	.8431	.8425
France	.2378	.2371
Germany	.5569	.5558
Italy	.001204	.001202
Japan	.004120	.004253
Mexico	.04370	.04370
Netherlands	.5019	.5000
Switzerland	.6055	.6051
U.K.	2.0870	2.0610

Don't ask us why Manufacturers Hanover should be your stock transfer agent.

Ask our customers.

"The cooperation and service we've been receiving is indeed gratifying in this day and age."

"Shareholder inquiries about lost and mismailed checks are much more infrequent."

"Switching to Manufacturers Hanover has resulted in substantial cost savings."

"We look upon our relationship as a good marriage."

"We commend the bank for its prompt and courteous response to questions from shareholders."

"The corporation particularly values the quarterly shareholder profiles, the welcome letter mailings to new shareholders, the lost shareholder tracings and the daily monitoring of large stock transfers."

What do these corporations know that you don't? To find out about TRANSIFAC, the most sophisticated stock transfer and registration system on the market, contact Joseph Unger at (212) 623-7542. You'll be writing to us, too.

MANUFACTURERS HANOVER

40 Wall Street, New York, N.Y. 10015